

# UNDERSTANDING YOUR HIGH DEDUCTIBLE HEALTH PLAN (HDHP)

COUNTY HEALTH INSURANCE 101

# COURSE OBJECTIVES

The Course will Present...

- Key Terms
- How the Plan Works
- Resources to Help Get the Most from Your Plan

# KEY TERMS

- **Cigna** – County’s health insurance administrator.
- **Coinsurance** - Coinsurance refers to money that an individual is required to pay for services after a deductible has been paid/met. After the medical deductible is met (i.e. you’ve spent that much), the County pays 80% and the employee pays 20% of costs...until the “out of pocket maximum” is reached.
- **Deductible** - The amount of money an employee pays for medical expenses before the County starts to pay.
- **Healthcare Consumerism** – Emphasizes the responsibility of the employee or the “purchaser” of health insurance; puts economic purchasing power and decision-making in the hands of plan members.
- **Health Savings Account (HSA)** – A health savings account (HSA) is a tax-advantaged medical savings account available to taxpayers who are enrolled in a high-deductible health plan.
- **High Deductible Health Plan** - A plan with a higher deductible than a traditional insurance plan. Usually the monthly premium is lower, but you have to pay more health care costs yourself (your deductible) before the insurance company starts to pay its share. A high deductible plan can be combined with a health savings account. This allows you to pay for certain medical expenses with untaxed dollars. The IRS defines a high deductible health plan as any plan with a deductible of at least \$1,300 for an individual or \$2,600 for a family. Sometimes referred to as a Consumer-driven plan.
- **Member** – Anyone covered by the County’s health insurance (employee, retiree, dependent, etc.)
- **Network** – The hospitals, health care professionals and labs that have contracted with a health plan to provide health care services.
- **Out of Pocket Maximum** - The most you will have to pay for covered medical expenses in a plan year through deductible and coinsurance before your insurance plan begins to pay 100 percent of covered medical expenses.
- **Premium** - The amount the policy-holder (employee) pays to the County to purchase health coverage. Premiums are paid out of your paycheck and are pre-tax.
- **Preventive Care** – Examples include “Well Woman,” annual physical, etc.
- **Wellness Rate** – Reduced premium rate for employees who met the wellness criteria (biometrics screening, health assessment, and coaching).



## HIGH-DEDUCTIBLE HEALTH PLAN

- High-Deductible Health Plan (HDHP) is a health insurance plan with lower premiums and higher deductibles than a traditional health plan. Being covered by an HDHP is also a requirement for having a health savings account.
- Deductibles and coinsurance only; no copays (i.e. the employee is responsible for the full cost of service or pharmaceuticals after all discounts have been applied).
- Cigna network of providers.
- Includes in and out of network coverage (see brochure for rates).

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Amount Billed	\$350.00
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Discount	\$86.22
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What your plan paid	\$263.78
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What I owe	<b>\$0.00</b>
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You saved

**100%**

# HIGH-DEDUCTIBLE HEALTH PLAN

## Features:

- Responsibility
  - Consumerism
  - Forecasting
  - Contributing
- Opportunity
  - Growing your account
  - Portability



# WHAT IS AN HSA?



- A health plan that provides coverage for qualified medical/pharmacy expenses and allows you the option to save HSA dollars on a tax-advantaged basis.
- Your employer contributes and you can too.
- The total 2017 annual contribution limit for employee + employer is:
  - \$3,400 single coverage
  - \$6,750 family coverage
- Employee and employer money deposited into the HSA is generally not taxable



# Cigna Choice Fund® Health Savings Account (HSA)

An integrated approach



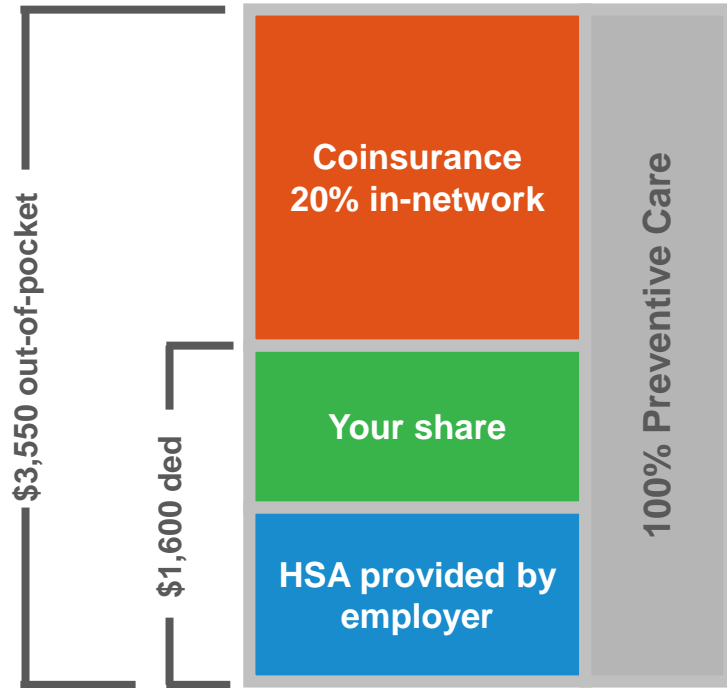
- Cigna serves as the client’s and employee’s **point of contact for HSA**.
- One toll-free number to call for questions about the medical plan, claims, bank account requirements, and account balance and activity
- One website to manage coverage, claims, decision support tools and banking

# KEY TERMS (REVISITED)

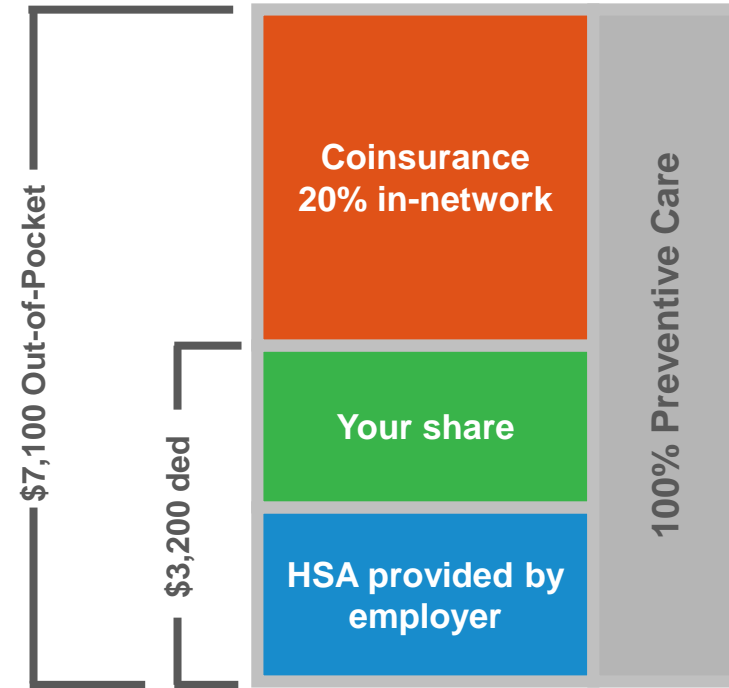
- **Preventive Care** – Examples include “Well Woman,” annual physical, etc.
- **Deductible** - The amount of money an employee pays for medical expenses before the County starts to pay.
- **Coinsurance** - Coinsurance refers to money that an individual is required to pay for services after a deductible has been paid/met. After the medical deductible is met (i.e. you’ve spent that much), the County pays 80% and the employee pays 20% of costs...until the “out of pocket maximum” is reached.
- **Out of Pocket Maximum** - The most you will have to pay for covered medical expenses in a plan year through deductible and coinsurance before your insurance plan begins to pay 100 percent of covered medical expenses.



# UNDERSTANDING YOUR COVERAGE



**EMPLOYEE ONLY**



**FAMILY OF TWO OR MORE**

\* With no additional contribution from employee;  
\*\* includes one time additional matching bonus

# VIDEO TUTORIAL

Video

<https://www.youtube.com/watch?v=HXqNItpDr-Y>

BREAK

# WHO IS ELIGIBLE TO PARTICIPATE IN AN HSA?\*

**To contribute to an HSA, the IRS requires that individuals:**

Must be enrolled in a qualified high deductible health plan

Cannot have any other health coverage unless it is a Q-HDHP (this applies to the employee only)

Cannot be claimed as a dependent on another person's tax return

- Not covered by spouse's medical or pharmacy plan (unless the plan is also a qualified HDHP)
- Not covered through Medicare Part A, Part B, Part D or through TRICARE
- Not covered through a general-purpose Flexible Spending Account (FSA) plan (either employer's or spouse's). You can still enroll in the FSA Dependent Care plan.

Please visit  
[www.irs.gov](http://www.irs.gov)  
for more  
information

*\*If you are in conflict with any of the aforementioned IRS requirements, you will still have health insurance, but not be able to have the savings account.*

# MAXIMUM CONTRIBUTIONS (EMPLOYER + EMPLOYEE)

**Because HSAs offer special tax advantages, the IRS puts annual limits on the maximum amount that can be contributed to the account.**

## **Under age 55:**

- Up to \$3,400 if enrolled with single coverage in 2017 (from all sources of contributions)
- Up to \$6,750 if enrolled with family coverage in 2017 (from all sources of contributions)

## **Age 55 or older:**

- Maximum contribution increases by \$1,000 (considered a “catch-up” contribution)

## **To make the maximum contribution in a calendar year, individuals must:**

- Meet all requirements to be eligible for HSA contributions on January 1
- Remain qualified through December 1
- If these criteria are not met, maximum contribution is prorated = 1/12 maximum contribution for each month individual is qualified

# PAYING FOR EXPENSES WITH THE HSA

- You can use HSA money only for expenses incurred after the account is established.
- If available, use your HSA debit card.
- You can only pay expenses from your HSA based on the balance in the account (similar to a checking account).  
If you don't have sufficient funds in your account to cover a payment, you may pay with after-tax money and later reimburse yourself with HSA money when additional HSA deposits have been made.
- Use of HSA funds for nonqualified health care expenses is subject to income tax and a 20% penalty.
- You must keep your own expense receipts for documentation, in the event you are audited.
- Any funds used for nonqualified expenses must be filed on your tax return.



## MEET BEVERLY

- Beverly is a County employee with a devotion to all things 1980's.
- Beverly has the County's High-deductible health plan with a health savings account.
- Beverly covers her family's health insurance via the County's plan.
- On Monday, Beverly visits her primary care physician for her annual physical.

**The annual physical is “preventive” care so the cost to Beverly is \$0.**





# BEVERLY'S FALL & OFFICE VISIT



- Beverly is devoted to exercise, but unfortunately trips over her legwarmer on Tuesday.
- Beverly makes an office visit to her doctor. She informs the office staff she has a health saving account with “HSA Bank” and does not pay anything at the time of the visit.\*
- A few days after the visit, Beverly receives the EOB (explanation of benefits from Cigna). This is not a bill. The EOB explains the cost to Beverly after all the Cigna discounts have been applied.
- There are no “copay’s” on Beverly’s plan because it is a high-deductible health plan. **Beverly receives the bill from the doctor’s office for the full amount of the visit (after all discounts have been applied).**

**Beverly uses money in her health savings account (HSA) to pay the bill.**

Cigna Health and Life Insurance Company  
CHATTANOOGA CLAIM OFFICE  
P.O. BOX 182223  
CHATTANOOGA, TN 37422-7223

**SAMPLE**

**Cigna**

Cigna Health and Life Insurance Company AS AGENT FOR MECKLENBURG COUNTY

MecklenBear  
123 Main St.  
Charlotte, NC 28202

**THIS IS NOT A BILL.**  
Your health care professional may bill you directly for any amount that you owe.

Customer service  
Call the number on the back of your ID card or (800) 244-6224 (1.800.CIGNA24)  
www.mycigna.com  
If you have any questions about this document, please call Customer Service at the number above. Please have your reference number ready.

Service date  
October 5, 2016

Reference # / ID  
4431629594478 / U46836069

Provider Network Status:  
IN NETWORK

Account name / Account #  
MECKLENBURG COUNTY - 5555555

**Explanation of benefits**  
for a claim received for **MECKLENBEAR** Reference # **123456789**  
Patient's relationship to Subscriber: **SUBSCRIBER**  
Subscriber Name: **MECKLENBEAR**  
Summary of a claim for services on October 5, 2016  
for services provided by **MECK CO BEAR, MD**

Amount Billed	\$350.00	This was the amount that was billed for your visit on 10/05/2016.
Discount	\$86.22	You saved <b>\$86.22</b> . CIGNA negotiates discounts with health care professionals and facilities to help you save money.
What your plan paid	\$263.78	Your plan paid \$263.78 to <b>MECK CO BEAR, MD</b>
What I owe	\$0.00	This is the amount you owe after your discount, your plan paid, and what your accounts paid. People usually owe because they may have a deductible, have to pay a percentage of the covered amount, or for care not covered by their plan. Any amount you paid since care was received may reduce the amount you owe.
You saved	100%	You saved \$350.00 (or 100%) off the total amount billed. This is a total of your discount and what your plan paid. To maximize your savings, visit www.mycigna.com or call customer service to estimate treatment costs, or to compare cost and quality of in-network health care professionals and facilities.

H701A 7/09

PLEASE SEE CLAIM DETAILS ON PAGE 3.

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## BEVERLY'S PAIN & PRESCRIPTION



- Beverly's doctor prescribes a pain medication for her.
- Beverly is very proactive and visited [www.myCigna.com](http://www.myCigna.com) and [www.goodrx.com](http://www.goodrx.com) to learn where to get the best price on medications.
- Based on her research, Beverly typically buys her medications at her local grocery store. The popular corner pharmacy sells her medication for \$90, but savvy Beverly pays \$72 at the grocery store.
- **Beverly pays for her medication by using her HSA card. Quick swipe and she's all done.**
- Beverly is so excited about saving money by shopping at the grocery store, she hugs everyone!

# BRACES FOR BEVERLY'S SON

- Beverly's son Adam needs braces.
- On Thursday, Beverly takes Adam to the orthodontist for his new braces.
- Beverly uses her HSA account card to pay for the office visit and the braces. The HSA account card is a convenient method of payment for any covered expenses (see [www.hsabank.com](http://www.hsabank.com) for list).
- **Beverly knows that funds from her HSA account may be used to pay for Adam's visit and braces, but will not apply to her family's medical deductible.**

*\*Vision/dental costs may be paid with your HSA account funds, but will not contribute to meeting your medical deductible. See plan details regarding vision/dental.*



# USING HSA FUNDS

## Dependents to age 26

- Dependents to age 26 (end of birth month) may be enrolled in your medical plan
- HSA funds may only be used for expenses of that dependent if the dependent is claimed on the employee's tax return
- You can use your HSA funds for a spouse that meets the IRS definition of a tax dependent. Please consult your tax advisor.

## Spouse

## Eligible expenses

- Use the HSA for medical, prescription drugs, dental, vision and certain premium expenses
- Expenses for anyone you claim as a federal tax dependent (other than domestic partners – see above)
- Your HSA cannot pay for expenses of children to age 26 who are not claimed as a dependent (see above)
- You are responsible for making sure your expenses are eligible according to IRS Publication 502
- If you use money from your HSA for ineligible expenses, you will pay taxes plus a 20% penalty (prior to age 65)

# TAX RESPONSIBILITIES AND REPORTING

## Bank

**Bank** reporting for year-end taxes will be sent to the employee (accontholder)

- **Form 1099-SA** – Reporting all distributions from the HSA
- **Form 5498-SA** – Reporting of contributions and transfers into the HSA

## County

**County** reporting for year-end taxes will be sent to the employee (accontholder)

- **Form W-2:** Reporting all employer contributions, including pretax payroll deductions  
**Employer contributions are not considered part of the employee's income.**

## Employee

**Employee** (accontholder) responsibility

- Ensure total contributions do not exceed allowable maximums
- Keep accurate records of contributions and withdrawals
- Maintain receipts for all use of HSA dollars: Purchases and bill payments
- **File form 8889** as part of income tax submission to the IRS

# MORE ABOUT THE HSA AND HDHP

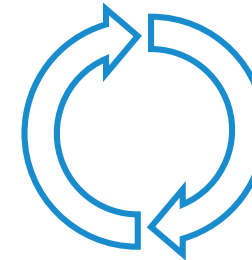
- **What if I contribute more than I am allowed?**

- Excess contributions are subject to income taxes and an additional penalty tax.
- You may withdraw any excess contributions within the tax year to avoid penalties.



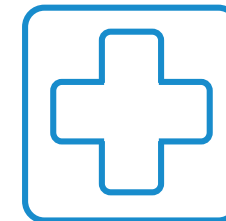
- **Can I roll over money from other accounts?**

- Rollover contributions from medical savings accounts and other HSAs are allowed and do not count toward yearly maximum contributions.



- **What if I change health plans?**

- If you're no longer covered by the plan, you can still use HSA funds to pay for qualified medical expenses.
- You cannot contribute additional money to the HSA until you are enrolled in another qualified high-deductible health plan.



# RECAP & QUESTION

- ✓ Key Terms
- ✓ How the Plan Works
- ✓ Resources







### You Have a Role – Research/Compare Costs

- Medications: [www.goodrx.com](http://www.goodrx.com)
- [www.myCigna.com](http://www.myCigna.com)
- Non-emergency procedures – facility rates, etc.
- Utilize Wellness Incentives

### You Make Decisions

- Managing your health savings account (HSA).
- Stop/start/increase/decrease your pre-tax contribution at anytime. Contact the Employee Services Center for details.
- Spending HSA funds.
- Plan/budget for non-emergency procedures.

# CONSUMERISM

# RESOURCES

- [www.myCigna.com](http://www.myCigna.com)
- [www.irs.gov](http://www.irs.gov) – Form 8889; Publication 969
- **HSA Portal Demos:**  
<http://www.hsabank.com/hsabank/business/cigna-website-demos>
- **HSA Bank Educational Videos:**  
<http://www.hsabank.com/hsabank/business/cigna-education-videos>
- Employee Services Center
- MeckWeb – myTotalHealth (internal web site)